

Report Card

ND TEACHERS' FUND FOR RETIREMENT

JUNE 2007

Legislature Passes TFFR Funding Improvements

The TFFR funding improvement bill (SB 2046) was amended a number of times before a compromise was reached in the final days of the 2007 legislative session.

The final bill includes contribution and benefit changes designed to enhance revenues and control future liabilities. Approval of this bill by the Legislature, along with positive investment returns, should improve TFFR's overall financial health over the long term without impairing legally protected contractual pension benefits for current active, inactive, and retired teachers and administrators.

Projections indicate that if actuarial and investment assumptions are met (including the 8% investment return assumption), TFFR should reach 90% funded status in about 25 years (2033). If investment returns



are greater than 8% over the long term, TFFR should reach the 90% goal sooner.

The final approved TFFR funding improvement bill:

- Removes automatic refund requirement and reenacts various other provisions to comply with IRS qualification requirements.

- Requires employer retirement contributions of 7.75% on re-employed retiree's salary beginning July 1, 2007. Employer contributions increase to 8.25% on July 1, 2008.
- Increases employer retirement contributions from 7.75% to 8.25% of active member's salary beginning July 1, 2008. Employer contributions will return to 7.75% once the plan reaches a 90% actuarial funded level.
- Creates new tier of reduced member benefits for new TFFR members (and returning refunded members) employed on or after July 1, 2008.

Tier 1 Members include all current active, inactive, or retired members who have TFFR service credit on July 1, 2008. Tier 1 members who do not refund their service credit would maintain the current TFFR benefit structure and member contribution rates.

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ND Retirement and Investment Office

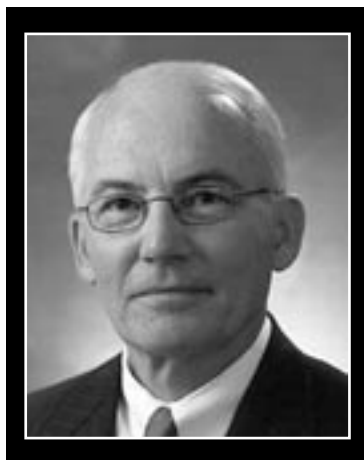
1930 Burnt Boat Drive, P.O. Box 7100

Bismarck, ND 58507-7100

701-328-9885, Toll free: 1-800-952-2970

www.nd.gov/rio

Articles are for general information only and are not intended to provide specific advice or recommendation. Other forms of this newsletter are available on request.



Thank You Mark!

Special thanks to Mark Sanford for 15 years of dedicated service on the Teachers' Fund for Retirement Board and the State Investment Board. We congratulate you on your retirement from Grand Forks Public Schools and wish you many happy and fulfilling retirement years.

Memo to Members

"The road is long, With many a winding turn ..."

Two simple lines from that 1969 hit song, "He Ain't Heavy, He's My Brother," keep running through my head whenever I think about TFFR's funding future. The lines serve to remind me of the effect the overall economy and investment landscape has had on TFFR in the past, and the impact it will have for many years into the future.

TFFR went through some difficult financial times during the early part of this decade. Now, of course, the economy is strong, the stock market is robust, and investment returns are once again stellar. It's so easy to jump to the conclusion that rapid recovery of the pension plan is just around the corner.

Unfortunately, it's probably not going to happen that fast. Improved TFFR funding will take time. It's a long road from TFFR's current 75% funded level to our initial funding goal of 90%. The road to full funding is projected to shorten as a result of 2007 legislation passed (see article on page 1), AND if investment returns



Fay Kopp
Deputy Executive Director

continue to be well above average for the next decade or so. On the contrary, if the economy weakens, and the stock market declines for an extended period of time, that road will lengthen again.

Speaking of investments, Chart 1 on page 3 provides "Sources of TFFR Revenue," and illustrates the significant impact that investment returns have on your TFFR pension plan. Nearly two-thirds of your pension benefits are funded through investment earnings, fueled by employee and employer contributions. Every additional

dollar in contributions counts and is invested to grow with time. As you can see, over the last 17 years, aggregate earnings from investment income comprised nearly 64% of revenue. Employee contributions (including service purchases) comprised 19% of revenue, and 17% of revenue came from employer contributions.

Chart 2 provides additional detail about "TFFR Revenues and Distributions." Notice the funding gap that developed in fiscal years 2001 - 2003. It will take time to make up that gap.

As in the past, I'm sure there will be many winding turns, and ups and downs to TFFR funding in the future. However, the best plan is to reduce future liabilities, maintain a steady contribution stream, and prudently invest those contributions so that lifetime benefits to our state's retired educators will be adequately financed.

It's a long road ahead, but improved TFFR funding is once again on the horizon.

TFFR Retiree Benefit Increase Efforts

Approved legislation is expected to improve TFFR funding over the long term, however, it does not provide a retiree benefit adjustment in 2007. While TFFR can make promised retirement benefit payment to retirees for many years into the future, we are not able to fund an increase in those retirement benefits at this time. Our efforts are focused on maintaining adequate funding of all promised benefits, and building a funding cushion to provide for future benefit improvements to our state's retired educators.

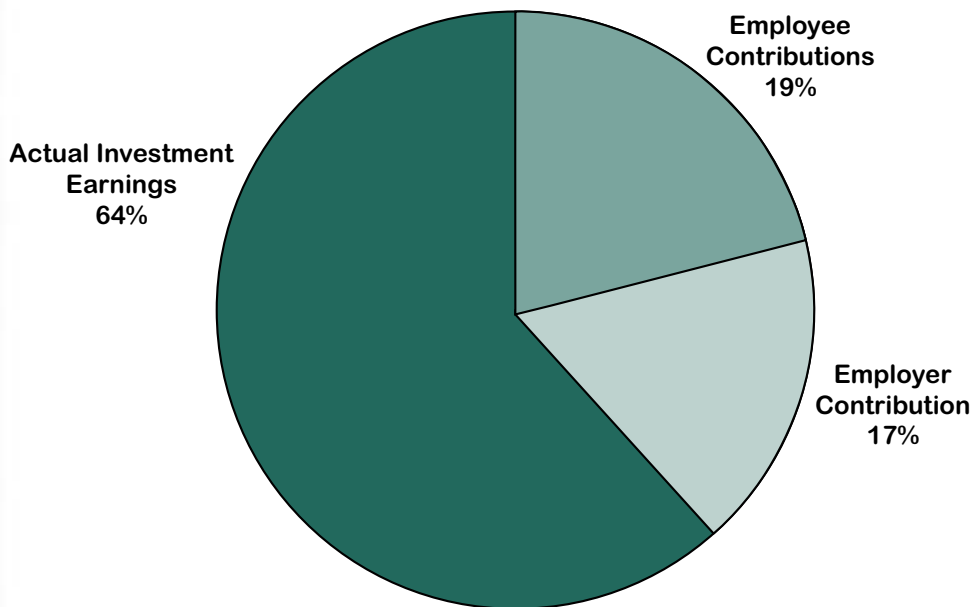
Many current and prospective retirees have asked why ND doesn't have an automatic cost-of-living adjustment

like many other states. Because of concerns about the ongoing long-term liability to the fund, the Legislature has not approved such a provision in TFFR statutes. In the past, ad hoc benefit increases were granted by the Legislature when it was determined that funding levels could support such improvements.

We are hopeful that improved funding levels brought about by increased employer contributions and better-than-average investment performance will allow TFFR to provide a modest retiree benefit adjustment in the future.

**Sources of TFFR Revenue
Fiscal Years 1990-2006**

Chart 1



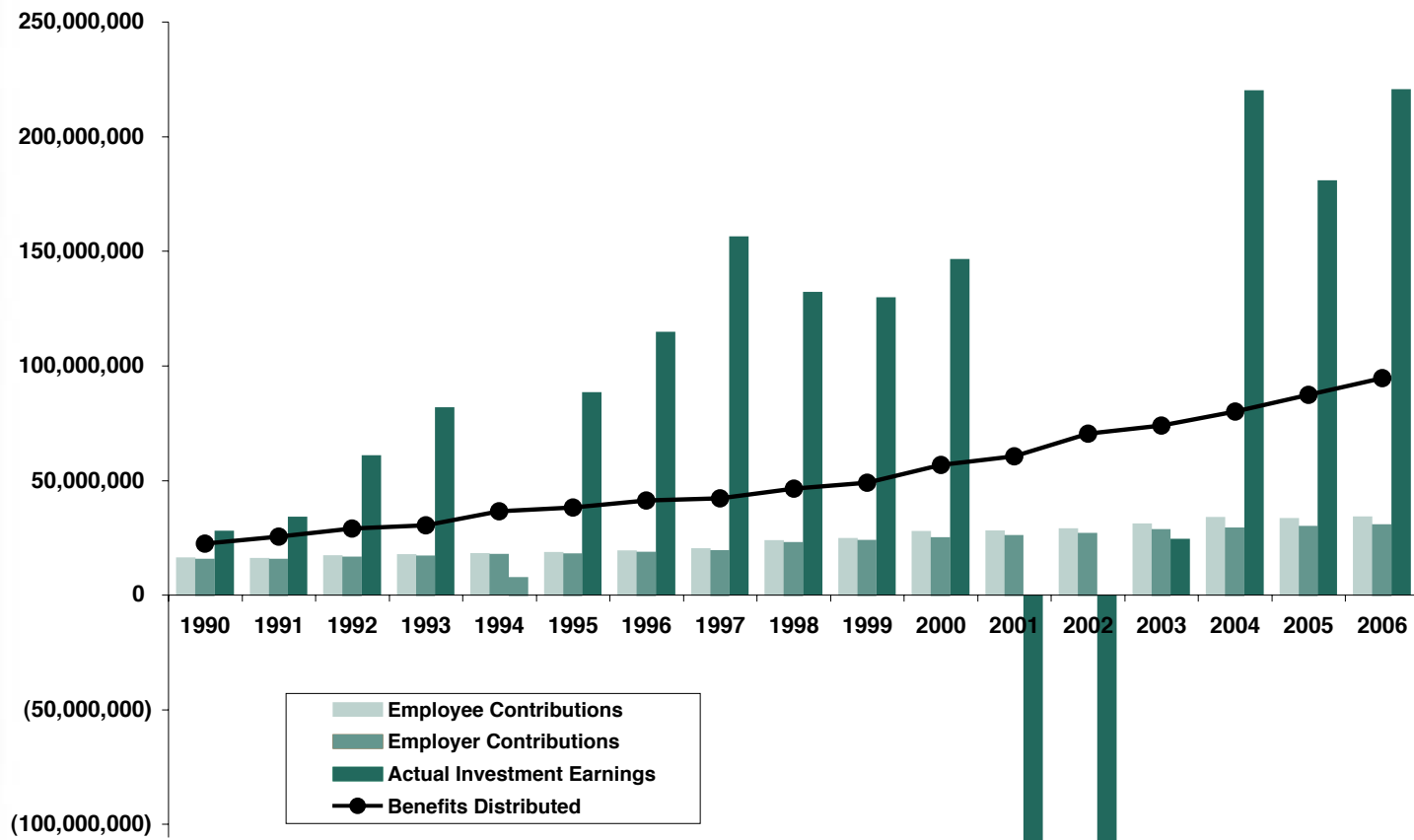
Addresses Must Comply With Postal Standards

The Teachers' Fund for Retirement would appreciate your help in correcting numerous incorrect or insufficient member addresses. Valid address information will improve mail delivery and save postage costs.

If you have recently moved or if you have not provided TFFR with your 911 address, please complete and return an address change request. Address changes must be in writing. Address change forms can be found on our website at www.nd.gov/rio.

TFFR Revenues and Distributions

Chart 2



Annual Statement - Top 10!

NORTH DAKOTA RETIREMENT & INVESTMENT OFFICE
TEACHERS' FUND FOR RETIREMENT
RETIREMENT BENEFITS STATEMENT
AS OF JUNE 30, 2007

1500 Burke Road Drive
 P.O. Box 7100
 Bismarck, ND 58501-7100
 Telephone: 701-328-5885
 Toll Free: 1-800-962-9770
 www.nd.gov/tfr

Prepared For: JANE TEACHER
 101 ANY STREET
 ANY TOWN, ND 58501-9999

Person ID: 123456
 Date of Birth: 07/01/1959

Account Value:
 Account Value is the amount refundable to you if you terminate employment.

Taxed Member Contributions	Tax Deferred Member Contributions	Interest	Account Value
\$5,000.00	\$15,000.00	\$7,000.00	\$27,000.00

Note: Contribution totals reflect amounts paid life-to-date through June 30. Interest is calculated at 6% compounded annually and reflects interest paid through August 31.

Credited Service:

Earned Service Credit As of 06/30/2006	2006-07 Service Credit	Purchased Service Credit (paid in full)	Total Service Credit as of 06/30/2007
14.000	1.000	1.000	16.000

Estimated Retirement Benefits:

Your Reported TFFR Salary for 2006-07: \$30,000.00

You are a vested member.

Based on your current average salary of \$2,500.00, a benefit multiplier of 2.00% and continued service, your estimated monthly single life annuity retirement benefits are:

Date	Age	Service Credit	Monthly Benefit	Percent of Avg Salary
At Rule of 85: 07/01/2018	59.000	27.000	\$1,350.00	54%
At Age 65: 07/01/2024	65.000	33.000	\$1,650.00	66%
At Age 62: 07/01/2021	62.000	30.000	\$1,500.00	60%
At Age 55: 07/01/2014	55.000	23.000	\$1,150.00	46%

Disability Retirement Benefits:

If you become disabled, your disability single life annuity would be based on your average salary times the greater of your total service credit or 20 years, times the current multiplier of 2.00%.

Your current monthly disability benefit would be: \$1,000.00

Beneficiaries:

Your primary beneficiary(ies) is/are listed below. Contingent beneficiaries, if named, are on file at the administrative office.

JOHN TEACHER

Survivor Benefits:

If you die prior to retirement, your beneficiary may be eligible for the following survivor benefits:

Refund of account value:	\$27,000.00
Lifetime monthly survivor annuity (available only if one beneficiary is on file):	\$468.00
5-year certain annuity (divided between beneficiaries according to distribution percentages on file):	\$650.00

The information and projections on this statement are based on current information and are subject to change. If differences exist between the information provided here and state law, the law prevails.

Your TFFR annual retirement statement is designed to help you understand all the benefits available to you. Here are the top ten items you should review when you receive your statement each August. If you find errors in the information reported, please contact us immediately, so corrective action can be taken. The benefit projections also can assist you and your family to determine if you need to take steps to strengthen your financial position in the event of disability or death.

1. Check your name, address, and birth date. A six digit Person ID has replaced the use of your Social Security number as an identifier. Please have this number available when you contact the retirement office.

2. Amount refundable to you if you terminate TFFR covered employment. Account value includes member contributions,

purchase payments and interest earned.

3. Verify your service credit reported by your employer. (700 hours = 1 year)

4. If currently purchasing service credit, the years will not appear until paid in full.

5. 2006-07 retirement salary reported and should include all eligible pay for teaching, supervisory, administrative, and extra curricular duties.

6. Benefit projections have been provided for most active and deferred members. The single life annuity option is only one of several payment options available to you at retirement. If you would like to see a retirement projection including all payment options, contact a Retirement Programs Specialist at the TFFR office.

7. Percent of final average salary

that TFFR retirement benefits replace.

8. This disability benefit is payable in the event you experience a long term temporary or permanent disability that prevents you from performing the duties of a teacher.

9. Only your primary beneficiary(ies) are shown on this statement. Contingent beneficiary(ies) may be named and stored on your account. If married, your spouse must be named as your primary beneficiary unless spousal consent is given.

10. Survivor benefits are payable to your beneficiary in the event you pass away before you begin drawing TFFR benefits. If you pass away after benefits have commenced, survivor benefits will be paid as specified by the payment option you selected at retirement.

TFFR Outreach Programs

Since beginning the Outreach Programs in 1990, TFFR Benefit Counselors have visited over 80 different locations throughout the state of North Dakota! We have continued to update and add new programs to meet the needs of our membership. The attendance and feedback from these programs has been very positive. We are happy to offer the following outreach services in 2007-08.

Pre-Retirement Seminars

To better serve you, we will hold statewide, one day pre-retirement seminars each summer (Bismarck July 17, 2007 - filled). Look for dates and locations for 2008 in an upcoming newsletter.

School districts may host a local program with a minimum of 25 participants. Contact TFFR for additional information.

Topics include: TFFR retirement benefits, financial planning, estate planning, Social Security benefits, health insurance, and adjusting to retirement.

Retirement 101 Program

This program is geared to new North Dakota teachers. Retirement 101 is a 90-minute presentation covering TFFR basics and provides teachers the opportunity to ask questions about the retirement program.

If your employer would like to host a Retirement 101 program as part of a teacher mentoring program or during an in-service, please contact TFFR for additional information.

Teachers in Transition Program

This specialized counseling program and group presentation is available to TFFR members whose school is facing closing or consolidation. It is designed to provide information about the retirement options available to members leaving TFFR covered employment.



Benefits Counseling Program

Individual 30-minute benefits counseling appointments are available to all members to discuss TFFR benefits and other retirement concerns.

Call **701-328-9886** or **800-952-2970** to schedule an appointment today.

Beulah – August 29, 2007

Grand Forks – September 12-13, 2007

Grafton – September 13, 2007

Oakes – September 18, 2007

Valley City – September 19, 2007

Cooperstown – September 20, 2007

Wahpeton – September 26, 2007

Fargo – September 27, 2007

Hettinger – October 3, 2007

Dickinson – October 4, 2007

Devils Lake – November 1, 2007

Minot – November 7-8, 2007

Rugby – November 28, 2007

Jamestown – November 29, 2007

Fargo – December 5-6, 2007

Williston – January 8, 2008

Watford City – January 9, 2008

Bismarck – January 30-31, 2008

TFFR Funding Improvements

Continued from page 1

Tier 2 Members include all new members and returning refunded members who are employed on or after July 1, 2008. Tier 2 members would have the following benefit changes:

- Rule of 90, instead of Rule of 85
- 5-year vesting, instead of 3-year vesting
- Early (reduced) retirement eligibility would be age 55 and 5 years of service (instead of age 55 and 3 years)
- Normal (unreduced) retirement eligibility would be age 65 and 5 years of service (instead of age 65 and 3 years)
- Final average salary would be computed as a 5-year average, rather than as a 3-year average

TFFR staff is working with school districts on implementation details. Updated publications, forms, and other materials will be available this summer.

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